

AIFORERA Knowledge Webinar

Way Ahead for RERA

February 2021



Real Estate Sector in India



Real Estate Sector



5-6%

**Contribution towards
Nations GDP**

Second Largest Employer After Agriculture



4 Crore

**Workforce Employed. Of these
around 80% are unskilled
labour workforce.**

Impacts Several Sectors



Ranks 3rd

In terms of its effects on other industries, as it directly impacts over 250 ancillary industries such as cement, steel, transport, construction, paint, brick, building materials, and consumer durables

Pre- RERA: State of Real Estate Sector



Pre-RERA, the Sector was completely unorganized and unregulated sector with multiple challenges:



Information asymmetry to the citizen

Sundry Abuses and Malpractices

Real Estate Transactions were lopsided and heavily in favour of developers

No Proper Forum for Grievance Redressal for Consumers

Huge Delays in Real Estate projects completion



Took 70 Years For The Sector To Get A Regulator



Government of India notified the Real Estate (Regulation and Development) Act 2016 on 26th March 2016 and all provisions have come into effect from 1st May 2017

All commercial and residential real estate projects including plotted development shall have to be registered with RERA with certain exceptions . Ongoing incomplete projects to be registered

No promoter shall advertise, market, book, sell or offer for sale, or invite persons to purchase in any manner any plot, apartment or building, as the case may be, in any real estate project or part of it, without registering the real estate project with concerned Real Estate Regulatory Authority.

The mandate to the Authorities was both, to regulate and to enable & facilitate development of Real Estate Sector

RERA aims at ushering an era of 3Ts in the Real Estate Sector



Transparency

- Removal of information asymmetry and opaque practices with online disclosures in public domain and empowering citizens to make informed choice

Trust

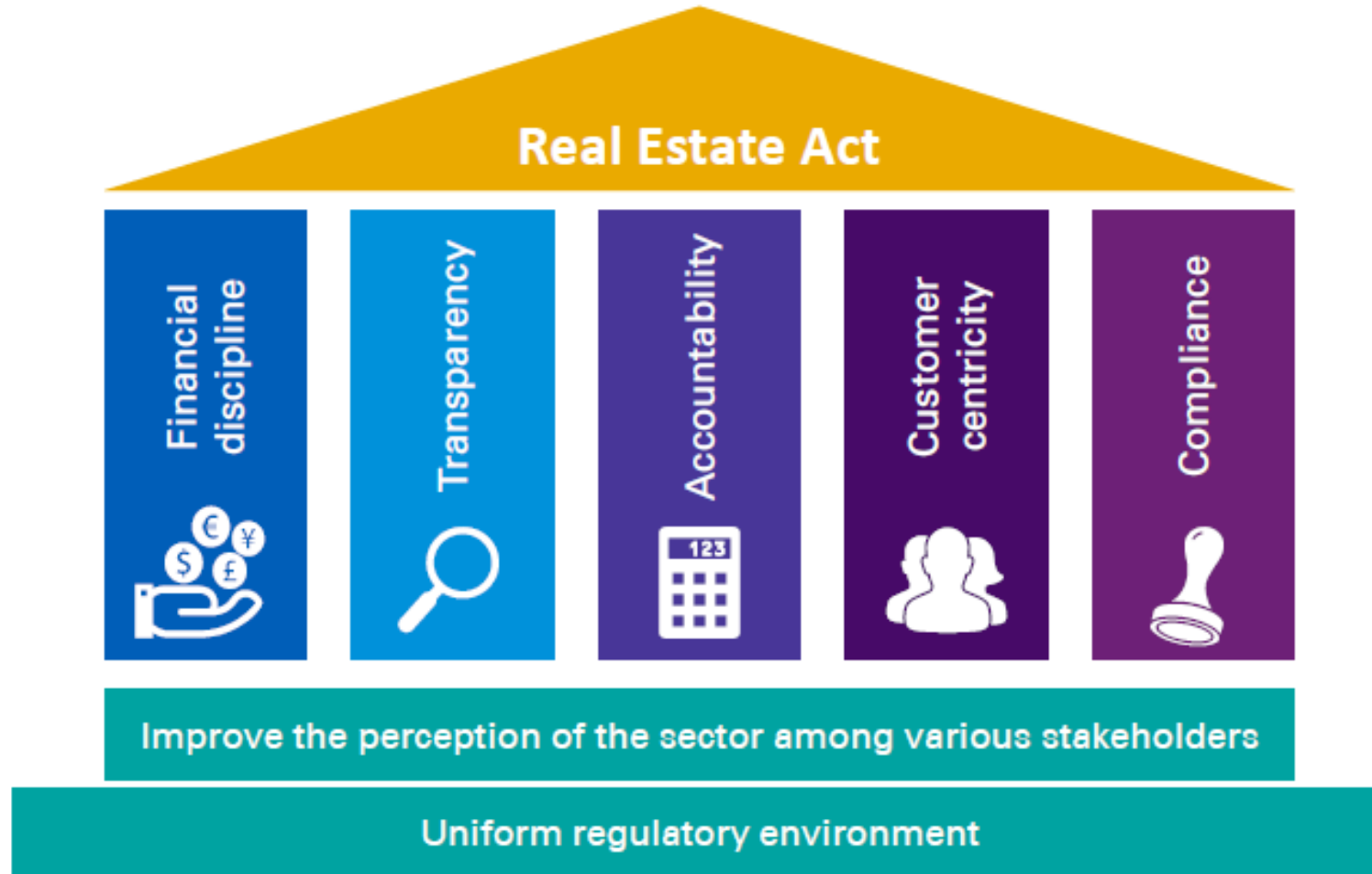
- Bridging trust deficit between promoters and buyers
- Speedy Grievance redressal through Quasi-judicial process &/or conciliation

Timely Project Completion

- Registered projects both ongoing pre RERA projects and new projects need to be completed in their stipulated time



Key Pillars of the Act are as follows:



Citizen Centricity, Transparency, Financial Discipline, Accountability & Compliance



What it entails?

Sharing project layout plan, approvals, proposed development work & facilities, proforma allotment letter & agreement etc.

Increased assertion on the timely completion of projects and delivery to the consumer

Defect liability period of five years for structural defects, defect in workmanship, quality or provision of services or other obligations

Formation of legal entity of allottees within three months after majority of the units booked

Consent of 2/3rd allottees or for any other addition or alteration

Consent from affected allottees for any major addition or alteration

Sale agreements as per model form. Increased assertion on the timely completion of projects and delivery to the customer

Informing allottees for any minor addition or alteration

No false statements or commitments in advertisements

Quarterly update of RERA website with details such as unsold inventory and pending approvals

Conveyance of title within 3 months of Occupation/Completion Certificate

Citizen Centricity, Transparency, Financial Discipline, Accountability & Compliance (Cont.)



70% of the funds collected from allottees need to be deposited in the project account

Withdrawals, to cover construction and land cost, to be in proportion to the % of completion of project

Developers to share on RERA website details of projects launched in last 5 years with status and reason for delay

Withdrawals to be certified by Engineer, Architect and CA

Provision for RERA to freeze project bank account upon non-compliance

Project Accounts to be audited annually by statutory Auditor CA;

Provision for stronger financial penalties for RERA non-compliances

Maximum 1 year extension in case of delay due to no fault of developer.
Unbiased Interest on delays.

Promoter to compensate buyer for any false or incorrect statement along with a full refund of property cost with interest

Functions & Duties of Promoter



- Register new and ongoing projects with RERA
 - Make disclosures in accordance with the Act, Rules and Regulations
 - Update quarterly the disclosures made at the time of registration
 - Ensure that advertisements, brochures, prospectus issued or published mentions RERA registration number and RERA website address
 - Display sanctioned plans, layout plans etc. at the project site.
 - Be responsible for all the obligations, responsibilities and functions under the Act, Rules and Regulations and in accordance with the agreement for sale.
 - Be responsible for completion of the project, obtaining Occupation Certificate.
 - Be responsible for providing and maintaining essential services till they are taken over by association of allottees
 - Enable formation of legal entity of allottees after 51% allottees have booked apartment.
 - Execute conveyance deed with the legal entity of allottees
 - Adhere to the fiscal discipline and comply with the provisions of the Act, Rules and Regulations.
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Functions of Real Estate Agent



- Register with RERA with necessary details as prescribed in the Rules.
 - Not facilitate any sale or purchase of any plot, apartment or building in a real estate project which is required to be registered but not registered.
 - Not involve in any unfair trade practice namely:
 - i. False representation that his services are of a particular standard or grade
 - ii. Representation that the promoter or he has approval or registration which such promoter or he does not have
 - iii. Make false or misleading representation concerning services
 - Not publish any advertisement of services that are not intended to be offered.
 - Facilitate the possession of all the information and documents as the allottee is entitled to, at the time of booking
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Rights and Duties of Allottees

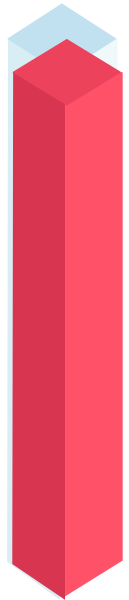


- Allottee is entitled to obtain all the relevant information as provided in the Act, Rules and Regulations and the agreement for sale signed with the promoter.
 - Allottee is entitled to know the detailed stage wise progress of the project including the facilities, amenities and services.
 - Allottee is entitled to claim possession of the apartment or plot and the association of allottees entitled to claim possession of common areas as disclosed and agreed by the promoter.
 - Allottee is entitled to penal interest on entire amount paid, for every month of delay, till the handing over of the possession.
 - Allottee is entitled to claim compensation for violation of provisions of sections 12, 14, 18 or 19 of the Act.
 - Allottee is responsible for making necessary and timely payments in accordance with the agreement for sale.
 - Allottee shall be liable to pay interest for any delay in payment.
 - Allottee shall participate in the formation of the legal entity of allottees.
 - Allottee shall take possession of apartment or building after OC, within 2 months.
 - Every allottee shall participate towards registration of conveyance deed.
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RERA 1.0 focused on Regulation and Compliance

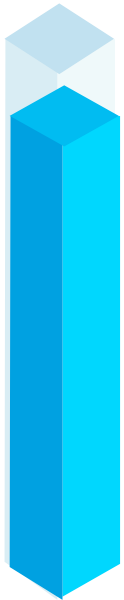


RERA Implementation Report



94%

States / UTs have notified General Rules (34 States / UTs)



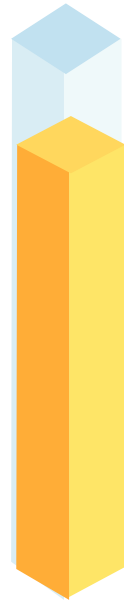
83%

States / UTs have set up RERA (30 States / UTs)



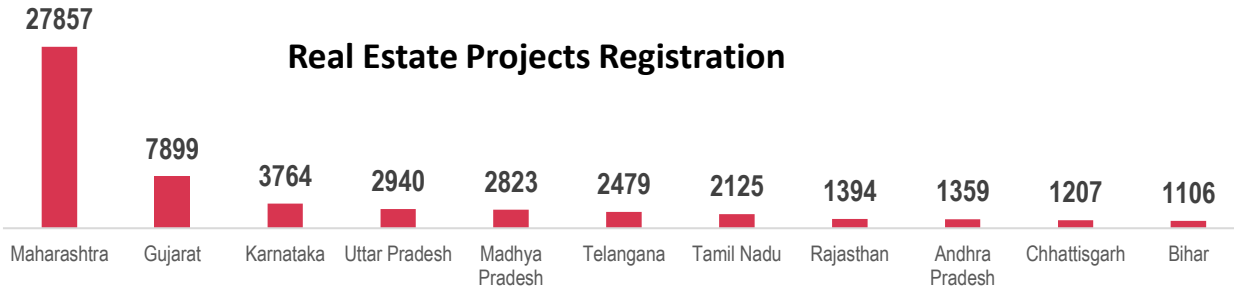
72%

States / UTs have set up Appellate Tribunal (26 States / UTs)

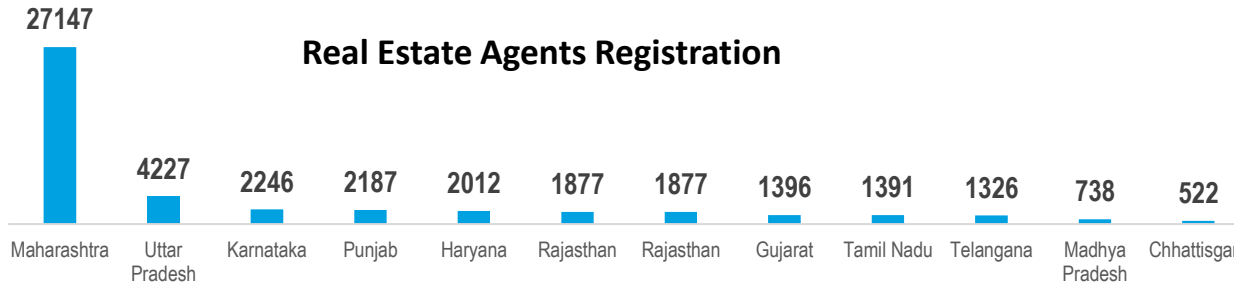


72%

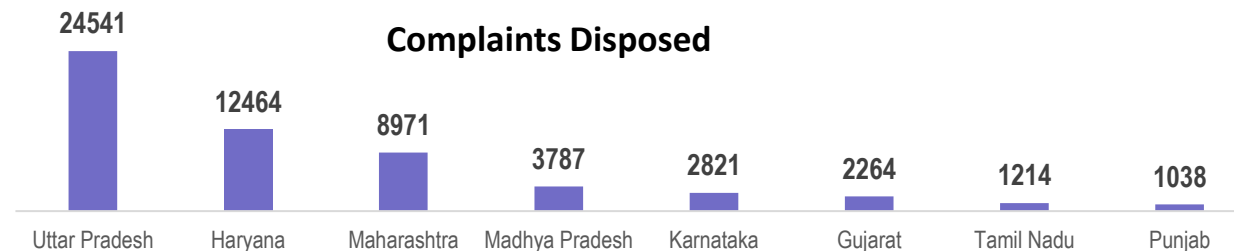
States / UTs have operationalized web portal (26 States / UTs)



59616
Real Estate Projects Registered nationally



46714
Real Estate Agents Registered nationally



60776
complaints disposed nationally

Many Innovative initiatives undertaken by Authorities nationwide...



MahaRERA

- Participative and Digital Governance
- MahaRERA Conciliation and Dispute Resolution
- Ensuring quality of construction & skilling of all workmen in MahaRERA regd. Projects
- Self Regulatory Organizations (SRO)

UP RERA

- Protocol for Management of Complaints
- Management of compliance of Orders and the Process of Execution
- Conciliation Forums

Tamil Nadu RERA

- Project Registration
- Orders passed by the Adjudicating officers in select cases
- Important defense to relieve from the clutches of RERA by Appellate Tribunal

MP RERA

- Disposal of Complaints
- Creating AIFORERA wewbsite

Rajasthan RERA

- Invoking the provisions of Section 63 and Section 7 for enforcing compliance of order's of Authority

Punjab RERA

- Successful Web portal
- Better enforcement through pro-active measures under Section 59
- Introduction of QR codes

Gujarat RERA

- Project Progress Monitoring
- Regional Investment Maps
- Quality of Construction, mandating security aspects
- Emphasis on min. common Infra

Haryana (Gurugram) RERA

- Details of Project Information
- Amendment to Rules

OTHER RERA

- Many other initiatives taken



Challenges faced by RERA

Ensuring registration of Projects and Agents

Ensuring Compliance to provisions of Act by Registered Projects

Ensuring execution of Orders passed

Dealing with legacy issues of pre-RERA projects and easing the pain of transition

Invoking Section 7 and Section 8 of the Act for project completion of stressed/stalled projects

Creating general awareness regarding RERA



Key Challenges faced by Industry

Highly decentralized operations and inconsistent governance practices across the industry value chain

Considerable reliance on third parties across the industry value chain

Need for timely and simplified approvals from Competent Authorities

Liquidity and lack of financing of Projects in the NBFC crisis

Delays in Project Completion

Reduced Sales / Correction in Real Estate Sector

Need for Strengthening the Act



On the legislative front too, some amendments are required to enable Authorities to deal with the challenges more effectively. These are:

- Giving precedence to RERA vis-a-vis others Act including IBC / SARFAESI Act / DRT Act / MPID Act etc. for matters related to RERA registered projects.
 - Clarity on the jurisdiction issue between Authority and AO and amendment to remove the dual channel for complaints u/s 31.
 - Further empowering Authorities with Power to issue directions u/s 37 to promoters or allottees or real estate agents or any stakeholder of the project, as it may consider necessary and such directions to be binding on all concerned.
 - For completion of stalled/stressed projects u/s 7/8 the Authority while facilitating the remaining development works to be carried out shall also take such measures as may be required to protect the interest of other parties in the registered project, which are disclosed by the promoter, including Banks / Financial institutions, Investors, Landowners etc. who through mortgage or defined instrument of debt or equity have created third party interest in the real estate projects and issue such directions as it may deem necessary to them in the interest of completion of project.”
 - The provision under Section 40 should confer clear powers upon the Authority to enforce its orders.
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RERA 2.0 to focus on Development



Real Estate (Regulation and Development) Act – “RERDA” not just “RERA”:

 Drive implementation of Section 32 and 33

2. Encourage Investments in Sector

Encourage investment in the real estate sector including measures to increase financial assistance to affordable housing segment;

3. Ease of Approvals & Accountability

Ensuring time bound approvals and clearances for timely completion of the project

4. Development of ancillary sectors

Get ancillary sectors in formal network including Brick Kilns, Construction materials, Fittings, Fixtures etc. Encourage Labor welfare.

5. Other measures

- Rental Housing
- Conclusive Land Titling
- Urban Renewal
- Slum Redevelopment and so on

1. Amicable Conciliation

Amicable conciliation of disputes between the promoters and the allottees through dispute settlement forums set up by the consumer or promoter associations.



Thank You

